

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 12-3279-GA-UNC
East Ohio for Approval to Implement a)
Capital Expenditure Program.)

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 12-3280-GA-AAM
East Ohio for Approval to Change)
Accounting Methods.)

FINDING AND ORDER

The Commission finds:

- (1) The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or the Company) is a public utility as defined in Section 4905.02, Revised Code, and a natural gas company under Section 4905.03, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) On December 12, 2012, in Case No. 11-6024-GA-UNC, et al. (11-6024), the Commission modified and approved DEO's application for authority to implement a capital expenditure program (CEP) for the period of October 1, 2011, through December 31, 2012, pursuant to Sections 4909.18 and 4929.111, Revised Code.¹ The Commission approved DEO's request to modify its accounting procedures to provide for capitalization of post-in-service carrying costs on those assets of the CEP that are placed into service, but not reflected in rates as plant in service, as well as deferral of depreciation expense and property taxes directly attributable to those assets of the CEP that are placed into service, but not reflected in rates as plant in service. The Commission authorized DEO to accrue CEP-related deferrals only up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the General Sales Service (GSS) class of customers to

¹ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Implement a Capital Expenditure Program*, Case No. 11-6024-GA-UNC, et al., Finding and Order (December 12, 2012) (CEP Order).

increase by more than \$1.50 per month. At that point, accrual of all future CEP-related deferrals is required to cease, until such time as DEO files to recover the existing accrued deferrals and establish a recovery mechanism under Section 4909.18, 4929.05, or 4929.11, Revised Code. The Commission also required DEO to docket an annual informational filing by April 30 of each year that details, inter alia, the monthly CEP investments and the calculations used to determine the associated deferrals. (CEP Order at 13-15.)

- (3) On December 20, 2012, DEO filed an application for authority to implement a CEP for the period of January 1, 2013, through December 31, 2013, pursuant to Sections 4909.18 and 4929.111, Revised Code. Additionally, DEO seeks accounting authority to capitalize post-in-service carrying costs on program investments for assets placed in service but not yet reflected in rates; defer depreciation expense and property tax expense directly associated with the assets placed in service; and establish a regulatory asset to which post-in-service carrying costs, depreciation expense, and property tax expense will be deferred for recovery. DEO notes that it accepts continuation of the requirements established by the Commission in the CEP Order and, therefore, the Company agrees to compute and defer the cost of its CEP-related investments in accordance with the CEP Order. According to the application, a cumulative investment of \$93 million is projected for DEO's CEP in 2013. DEO states that it is not requesting cost recovery as part of this application and that recovery of any approved deferrals will be requested in a separate proceeding, not more than once each calendar year, commencing no later than the point at which the accrued deferrals, if included in rates, would cause the rates charged to the GSS class of customers to increase by more than \$1.50 per month. DEO submits that approval of the application will not result in an increase in any rate or charge, and, therefore, the application should be considered as an application not for an increase in rates under Section 4909.18, Revised Code.
- (4) On April 30, 2013, DEO docketed its annual informational filing in 11-6024 (2013 filing).

- (5) By entry issued in the above-captioned cases on June 12, 2013, a comment period was established in order to assist the Commission in its review of DEO's application. In accordance with the procedural schedule, comments were filed by Staff on August 12, 2013, and reply comments were filed by DEO on August 26, 2013. No other comments were filed in these proceedings.
- (6) In its comments, Staff explains that it reviewed and considered both DEO's application filed in the present cases and the 2013 filing in 11-6024, in the course of developing Staff's comments and recommendations. Staff finds that DEO's application and the 2013 filing comply with the CEP Order and, accordingly, recommends that the Company's application be approved, subject to Staff's further recommendations. Staff advises that the Commission should indicate that approval of DEO's application is contingent on the Company's commitment to adhere to the requirements and formulas established in 11-6024. Staff further advises that the Commission should specify that DEO's recovery of the deferrals is not guaranteed and will be considered in a future proceeding.
- (7) In its reply comments, DEO states that it does not oppose Staff's recommendation that the Company be held to the commitments made in its application. DEO adds that it does not disagree with Staff's contention that recovery of the deferrals is not guaranteed.
- (8) Additionally, Staff recommends that the Commission direct that DEO's future annual informational filings include revenue data from all potential sources of revenue delineated in the incremental revenue formula adopted in 11-6024. In support of its recommendation, Staff notes that the incremental revenue data provided by DEO in the 2013 filing is incomplete. Specifically, Staff reports that DEO did not provide any data concerning revenue, if any, attributable to consumption changes for non-straight fixed variable customers resulting from CEP investments or revenue data from other potential revenue sources directly attributable to CEP investments, as required by the Commission in the CEP Order. Without this data, Staff asserts that it cannot

adequately monitor the CEP or verify the total monthly deferrals.

- (9) DEO responds that it does not oppose Staff's recommendation that the annual informational filings include a more detailed calculation of incremental revenue in accordance with the adopted formula. DEO asserts that it will work with Staff to ensure that the appropriate data is included in the Company's next annual informational filing.
- (10) Section 4929.111(A), Revised Code, provides that a natural gas company may file an application with the Commission under Section 4909.18, 4929.05, or 4929.11, Revised Code, to implement a CEP for any of the following:
 - (a) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program;
 - (b) Any program to install, upgrade, or replace information technology systems;
 - (c) Any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction.

Section 4929.111(C), Revised Code, requires the Commission to approve the application, if the Commission finds that the CEP is consistent with the natural gas company's obligation under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable.

- (11) Upon review of DEO's application and the comments, the Commission finds that the application should be approved, subject to Staff's recommendations, which are not opposed by the Company. DEO has demonstrated that the CEP is consistent with the Company's obligation under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable. Further, the Commission finds that our

approval of DEO's application, as modified herein, will not result in an increase in any rate or charge. Accordingly, the application should be considered as an application not for an increase in rates under Section 4909.18, Revised Code.

- (12) With respect to DEO's annual informational filings due on April 30 of each year (CEP Order at 14), the Company should include revenue data from all potential sources of revenue delineated in the incremental revenue formula adopted by the Commission in 11-6024. DEO should work with Staff to confirm that the necessary data is included in the Company's annual informational filing due on April 30, 2014.
- (13) Additionally, the Commission emphasizes that, consistent with DEO's application, we approve the Company's request for deferral authority, but do not authorize recovery of the deferred amounts at this time. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, and reasonableness, will be considered when DEO files an application to recover the deferred amounts. As we stated in the CEP Order, the Commission has not granted cost recovery for any CEP-related items, and the prudence and reasonableness of the magnitude of DEO's CEP-related regulatory assets and associated capital spending will be considered by the Commission in any future proceedings seeking cost recovery, at which time the Company will be expected to provide detailed information regarding the expenditures for our review (CEP Order at 15).
- (14) With the above clarifications, the Commission finds DEO's proposed CEP to be both reasonable and consistent with Section 4929.111, Revised Code. Accordingly, DEO is authorized, pursuant to Sections 4909.18 and 4929.111, Revised Code, to implement the CEP and modify its accounting procedures as necessary to carry out the implementation of the CEP, consistent with this finding and order and the CEP Order, for the period of January 1, 2013, through December 31, 2013. Our approval of DEO's application is contingent on the Company's commitment to adhere to the requirements and formulas adopted by the Commission in 11-6024.

It is, therefore,

ORDERED, That DEO's application be approved, as set forth herein. It is, further,

ORDERED, That DEO be granted the necessary and appropriate accounting authority to implement the CEP, consistent with this finding and order and the CEP Order in 11-6024. It is, further,

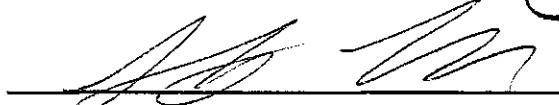
ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Todd A. Snitchler, Chairman



Steven D. Lesser



Lynn Slaby



M. Beth Trombold

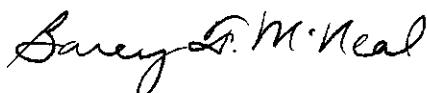


Asim Z. Haque

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Entered in the Journal

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Barcy F. McNeal
Secretary